

109TH CONGRESS  
1ST SESSION

# H. R. 1621

To amend the Internal Revenue Code of 1986 to repeal the authority of the Secretary of the Treasury to enter into private tax collection contracts.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 13, 2005

Mr. SIMMONS (for himself, Mr. VAN HOLLEN, Mrs. CAPITO, Mr. FERGUSON, Mr. ROGERS of Michigan, Mr. WILSON of South Carolina, Mr. HOEKSTRA, Mrs. MILLER of Michigan, Mr. GERLACH, Mr. MCCOTTER, Mr. MCHUGH, Mr. SHIMKUS, Mr. DAVIS of Kentucky, Mr. SMITH of New Jersey, Mr. PITTS, Mr. LOBIONDO, Mr. HAYES, Mr. HOYER, Mr. MORAN of Virginia, Ms. KILPATRICK of Michigan, Ms. ROYBAL-ALLARD, Ms. LINDA T. SÁNCHEZ of California, Mr. CARDIN, Ms. NORTON, Mr. BISHOP of New York, Mr. PRICE of North Carolina, Mr. COOPER, Mr. TIBERI, Mr. HOLT, Mr. RANGEL, Mr. FRANK of Massachusetts, Ms. FOXX, and Mr. LATOURETTE) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to repeal the authority of the Secretary of the Treasury to enter into private tax collection contracts.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

### 3 **SECTION 1. SHORT TITLE; FINDINGS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Taxpayer Protection Act of 2005”.

1 (b) FINDINGS.—The Congress finds the following:

2 (1) The integrity of the Federal tax system is  
3 integral to the efficient and ongoing functioning of  
4 representative democracy.

5 (2) A pillar of exemplary citizenship is compli-  
6 ance with the Federal tax code as it pertains to indi-  
7 vidual income taxes.

8 (3) Individual taxpayers voluntarily disclose  
9 sensitive personal information to the Federal Gov-  
10 ernment with the expectation that such information  
11 will be utilized and retained only by qualified,  
12 trained, and accountable personnel of the Internal  
13 Revenue Service (IRS) .

14 (4) Although the IRS has stated that there will  
15 be tight restrictions on what information will be re-  
16 leased to private collection agencies, the statute  
17 places no restrictions on what information may be  
18 released to private collection agencies.

19 (5) More than 26 million Americans have, since  
20 1990, been victims of some form of “identity theft”  
21 through misappropriation and misuse of their per-  
22 sonal information.

23 (6) Disclosure of taxpayer information to non-  
24 governmental, third party vendors will increase the

1 risk of wrongful disclosure of taxpayer information  
2 that results in higher incidences of “identity theft”.

3 (7) The IRS has already demonstrated its in-  
4 ability to protect taxpayer data from unauthorized  
5 disclosure under existing vendor contracts as docu-  
6 mented in an internal report by the Department of  
7 Treasury Inspector General for Tax Administration.

8 (8) The IRS Restructuring and Reform Act of  
9 1998 specifically prevents employees or supervisors  
10 at the IRS from being evaluated or compensated  
11 based on how much they collect in order to prevent  
12 incentives for overly aggressive and abusive tactics.

13 (9) The compensation scheme for private tax  
14 collection agencies is a recovery fee of up to 25 per-  
15 cent of funds collected that will lead to overzealous  
16 and abusive collection tactics against taxpayers.

17 (10) The Congress has previously rejected the  
18 use of private tax collection agencies by canceling a  
19 pilot program in 1996 due to violations by private  
20 collection agencies of the Fair Debt Collection Prac-  
21 tices Act, inadequate protection of sensitive taxpayer  
22 information, and a loss of approximately \$17 million  
23 during the pilot program.

24 (11) A 2002 report by the IRS Commissioner  
25 to the IRS Oversight Board identified an additional

1       \$30 billion in taxes owed that could be collected an-  
 2       nually by increased funding for IRS personnel. A \$9  
 3       billion annual increase in revenue could be achieved  
 4       by earmarking approximately \$300 million to spe-  
 5       cific IRS collection functions, for a return of \$30 for  
 6       every \$1 spent.

7           (12) Due to the vagaries of the budget scoring  
 8       process, additional funds collected by IRS personnel  
 9       do not “score” as increased revenues.

10          (13) The use of private collection agencies was  
 11       deemed a “new tool” to the IRS Commissioner that  
 12       resulted in increased revenue being “scored” to the  
 13       Federal Government when such activity would actu-  
 14       ally result in increased cost to taxpayers.

15          (14) Members of the House of Representatives  
 16       were not afforded the opportunity to specifically vote  
 17       on this significant policy change during consider-  
 18       ation of H.R. 4520, the American Jobs Creation Act  
 19       of 2004, in the 108th Congress.

20       **SEC. 2. REPEAL OF AUTHORITY TO ENTER INTO PRIVATE**  
 21               **TAX COLLECTION CONTRACTS.**

22          (a) IN GENERAL.—Subchapter A of chapter 64 of the  
 23       Internal Revenue Code of 1986 (relating to collection) is  
 24       amended by striking section 6306.

25          (b) CONFORMING AMENDMENTS.—

1           (1) Subchapter B of chapter 64 of such Code  
2       is amended by striking section 7433A.

3           (2) Section 7809(a) of such Code is amended  
4       by striking “6306,”.

5           (3) Section 7811 of such Code is amended by  
6       striking subsection (g).

7           (4) Section 1203 of the Internal Revenue Serv-  
8       ice Restructuring Act of 1998 is amended by strik-  
9       ing subsection (e).

10          (5) The table of sections of subchapter A of  
11       chapter 64 of such Code is amended by striking the  
12       item relating to section 6306.

13          (6) The table of sections of subchapter B of  
14       chapter 64 of such Code is amended by striking the  
15       item relating to section 7433A.

16       (c) EFFECTIVE DATE.—The amendments made by  
17   this section shall take effect on the date of the enactment  
18   of this Act but shall not apply to any contract entered  
19   into before such date.

20       (d) TERMINATION OF REPORTING REQUIREMENT.—  
21   The reporting requirement of section 881(e) of the Amer-  
22   ican Jobs Creation Act of 2004 shall not apply after the  
23   date of the enactment of this Act.

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